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FEDERAL COMMUNICATIONS COMMISSION
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
) CC Docket No. 92-77
Billed Party Preference)
for 0+ InterLATA Calls)

COMMENTS OF THE
NATIONAL TELEPHONE COOPERATIVE ASSOCIATION

The National Telephone Cooperative Association ("NTCA") submits these Comments in response to the Commission's Further Notice of Proposed Rulemaking, FCC 94-117, released on June 6, 1994 in the proceeding captioned above ("FNPRM"). By this proceeding, the Commission is considering whether to mandate the implementation of Billed Party Preference ("BPP") for all 0+ interLATA calls. NTCA is a national association of approximately 500 local exchange carriers ("LECs") providing telecommunications services to subscribers and interexchange carriers ("IXCs") throughout rural and small-town America.

The Commission's decision whether to mandate BPP hangs on the proposition that the benefits to telecommunications users will outweigh the costs imposed on society. Applied to the entire industry, this proposition is tenuous, at best, both from the view of the potential benefits and the costs components of the evaluation equation. The speculated benefits are marginal, at best, and nonexistent, at worst, do not warrant an absolute government-imposed requirement. Such a rigid requirement would not appreciate the individual LEC costs that subscribers would be

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forced to bear either through BPP or other rates, the real benefits of BPP, if any, or the expected demand for BPP. At the very least, mandatory implementation of BPP with respect to small, low volume end offices, the type of end offices typically provided by NTCA members, is not justified on any public policy grounds.

I. THE COMMISSION HAS OVERLOOKED THE HIGH COST OF BPP ON A PER USER OR PER 0+ CALL BASIS IN LOW VOLUME OFFICES.

The implementation of BPP will require signalling system #7 capability¹, additional software, one-time and ongoing administrative costs, network rearrangements, consumer education, and operator service center upgrades. These requirements, should the Commission mandate nationwide implementation of BPP, will necessitate immediate cost expenditures for those end offices already converted to equal access. Ultimately, all end offices upon conversion to equal access will incur these costs.

NTCA expects individual LECs and other commenting parties to provide further information with respect to the anticipated costs. Nevertheless, NTCA's discussions with the major switch manufacturers indicates that the initial expenditures per end office converted to BPP will average in the \$100,000 range.² The actual cost will depend greatly on the type of end office and

¹ Non-SS7 solutions do not appear to be available. The software availability for equal access end offices has not anticipated the provision of BPP in any other form than through a SS7 based platform.

² There are approximately 5,500 end office served by LECs in the National Exchange Carrier Association Traffic Sensitive Pool.

the current level of operating software. Because of the large number of variables and unknowns with respect to costs, it is extremely difficult to predict with preciseness the exact expenditure necessary for BPP for small and rural LECs.

Small and rural LECs' introduction of equal access, SS7 technology and then BPP is based on a complicated evaluation of individual cost and local demand. The complexity of this decision process is compounded further by the need to factor in potential demand and offering of other SS7 based services. Small and rural LECs deploy SS7 when the proper cumulative demand for these services is anticipated and the total cost to implement will yield a reasonable cost recovery and pricing result. Unfortunately, this decision making process does not lend itself to generalized expectations. Similarly, a decision based on these factors for network services introduction, such as that being considered by the Commission for BPP, cannot be determined through generalized conclusions and centralized planning.

There appears to be a threshold level of absolute cost required to implement BPP at each end office; however, the number of potential customers to benefit from BPP and the number of calls affected by BPP will vary extensively from location to location. Only with an exact determination of the actual BPP upgrade cost, the number of expected 0+ calls affected, and the number of transient user calls and the extent to which these calls will be beneficially affected by the implementation of BPP

can one determine the merits of BPP.³ This sort of evaluation argues against the Commission adopting generalized conclusions and universal rules.

In any event, there is certainly many rural areas where the number of 0+ calls and the number of affected transient users will be small, and this will mean that the per-unit cost of BPP will be enormous. Therefore, at the very least, should the Commission decide to move forward with its generalized requirement (which NTCA does not favor), then end offices below a specific cost/benefit limiting size should be exempt from any mandatory requirement.⁴

II. BPP IS UNNECESSARY; MEASURES ARE ALREADY IN PLACE THAT WILL ACHIEVE THE SAME BENEFITS AS PERCEIVED TO BE PROMOTED BY BPP.

Fundamentally, the potential benefits of BPP will flow to transient callers⁵ who must make interLATA calls, but without BPP would not otherwise be able to have their call carried by their carrier of choice.⁶ Problems associated with callers who

³ Using Rural Electrification Administration borrower data, small and rural telcos typically have less than 10 paystations per exchange. While impossible to determine accurately, the number of transient users must be small relative to urban highly-populated areas.

⁴ NTCA believes that 10,000 access lines per end office would be an appropriate cut-off point.

⁵ Transient callers are those who must make calls from phones that are not necessarily presubscribed to their carrier of choice. Most often, this will involve calls made from payphones.

⁶ 0+ interLATA calls placed from normal residential and business line phones already presubscribed to IXC's do not appear to present any problem to be solved by BPP. Presumably, the
(continued...)

find themselves in this predicament have already been substantively and effectively addressed by both Congress and the Commission. The proliferation of 1-800 access to IXC operator services and the unblocking of 10XXX dialing from payphones and other public phone locations is steadily decreasing the amount of calls that would otherwise be subject to BPP. The remaining obstacles, customer awareness of these options and failure of public phone owners to unblock 10XXX calling, will not be addressed by BPP but will be further neglected and confused by misleading the public into accepting a perceived benefit of BPP.

The largest portion of 0+ interLATA traffic is generated by savvy, frequent travelers who have already availed themselves of the 1-800 and 10XXX options to complete calls with their carrier of choice.⁷ These callers probably do not want to pay for a network service that they certainly do not need. Some LECs also believe that for demand to be sufficient for the BPP form of assuring carriage by a caller's carrier of choice that other forms of access such as 1-800 and 10XXX would have to be

⁶(...continued)
caller has some relationship with the phone owner, and the phone owner has already been afforded a competitive choice in his or her selection of pre-subscribed carrier. In any event, the 1-800 and 10XXX access options are still available to the 0+ caller.

⁷ Other measures have also been required such as public phone sign requirements notifying callers of the presubscribed IXC operator service provider and the notification to callers after connection (called branding) of the identity of the IXC.

prohibited.⁸ If BPP costs are recovered from the IXC operator services provider that ultimately carries an 0+ BPP interLATA call, then these IXCs will be motivated to educate callers to use 1-800 and 10XXX access so that these IXCs can avoid the BPP charge.⁹ NTCA does not think that any public policy interest would be served by discontinuing callers' ability to use 1-800 and 10XXX access or to require that LECs invest in a costly network functions solely for BPP so that the IXC users of this function can learn to avoid it.

The time for BPP has long since passed; the Commission and the industry has already moved past its implementation in favor of other, already effective consumer protection measures. Instead of placing mandatory, ubiquitous requirements on LECs to invest in the network functionality to offer BPP, the Commission should use its resources more productively to enhance the existing capabilities that already allow consumers to use their preferred carrier. Moreover, the Commission should concentrate on the real culprits creating this problem: the IXC operator

⁸ Some large LECs apparently still support the implementation of BPP. NTCA surmises that these LECs may be planning virtually complete SS7 deployment in the near future and may be able to offer BPP at little additional cost. These LECs may view the potential requirement for BPP positively as the chance to derive some additional revenues to help defray total SS7 costs. Prohibiting 1-800 and 10XXX access and forcing BPP would create a stable revenue stream. NTCA believes this would be a short-sighted motivation and support of BPP on this basis would have nothing to do with the relative cost and benefits of BPP to society.

⁹ Some IXCs have already marketed 1-800 calling using billing identification numbers that allows callers to avoid operator surcharges.

services providers that charge excessive rates and the premises owners of public phones that prey upon captive customer callers.¹⁰ If the existing provisions were ubiquitously enforced and a more complete effort made to educate and assist the less savvy customers about access options¹¹, then there would not be any calls for which BPP would be needed.

¹⁰ Part of the Commission's benefits analysis presumes that BPP will lead to reductions in commissions paid to payphone owners. As with 1-800 and 10XXX "dial around" access, the Commission is aware that payphone operators demand that they be compensated for making payphones available to the public or for the loss of commissions to dial around IXC's. There is a limit on the minimum amount of commissions that premises owners will accept below which they will no longer wish to provide payphones. Payphone provision is a nuisance-intensive undertaking, and premises owners will not provide public phones and suffer the cost associated with the usual aggravation without some remuneration or other benefit. Again, the Commission's efforts would be better spent ensuring that IXC operator services providers do not charge excessive rates which will ensure a reasonable level of commissions. Alternatively, the Commission should examine whether a flat fee commission per payphone should replace traffic sensitive commissions.


¹¹ Every public phone should have affixed to it explicit instructions on how to access IXC's using 10XXX. This is particularly necessary for motel and hotel room phones which often use require confusing dialing arrangements to use 10XXX or are blocked from using this access provision. Stepped-up regulation of motel and hotel owners is needed to assure that the transient caller is guaranteed the capability to access his or her IXC of choice. Even with BPP, additional oversight and requirements on hotel and motel owners would be needed. But again, with additional oversight applied to the innkeepers of this country, BPP would not be needed.

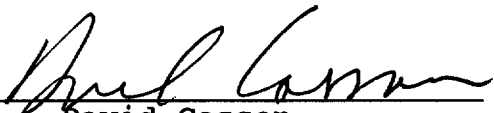
III. CONCLUSION

For the reasons stated above, the Commission should not require deployment of Billed Party Preference. Instead, the Commission should seek more cost effective ways to protect captive consumers.

Respectfully submitted,

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August 1, 1994

CERTIFICATE OF SERVICE

I, Gail C. Malloy, certify that a copy of the foregoing Comments of the National Telephone Cooperative Association in CC Docket No. 92-77 was served on this 1st day of August 1994, by first-class, U.S. Mail, postage prepaid, to the following persons on the attached service list:


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